

RESPONSE TO CONSULTATION PAPER

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Consultation topic:	Notices to Banks and Merchant Banks on Management of Outsourced Relevant Services
Name¹/Organisation: ¹if responding in a personal capacity	The Association of Banks in Singapore
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Confidentiality	
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Question 1. MAS seeks comments on the proposed annexes of the proposed Notices as follows:

- a. List of relevant services commonly performed by banks or MBs in Singapore (Annex A of the proposed Notices)**
- b. List of relevant services that are not commonly performed by banks or MBs, and thus, are excluded from the definition of outsourced relevant service (Annex B of the proposed Notices)**
- c. List of relevant services that are not commonly performed by banks or MBs, but are considered by MAS as outsourced relevant services (Annex C of the proposed Notices)**
- d. List of exempted outsourced relevant services (Annex D of the proposed Notices)**

Respondents should provide the rationale to support their suggestions to add or remove services from the annexes.

Annex A states the following relevant services relating to “risk management”, which attracted exhaustive comments from banks and MBs, as the listed relevant services are not exactly related to “risk management”. We therefore recommend MAS consider removing the “risk management” from the description of Annex A.

We also recommend MAS to consider reassessing the relevant services listed in Annex A, as some defined services such as “software development”, “customisation of commercial off-the-shelf (COTS) software” “support services related to archival, storage and destruction of data and records”, “manpower management such as services provided by recruitment agencies, staff augmentation” are actually not commonly performed by the bank accordingly to banks and MBs’ feedback.

In addition, Annex A is a non-exhaustive list of relevant services commonly performed by banks or MBs in Singapore. However, the criteria to assess if a service is “commonly performed” was not provided, which will pose significant challenges in interpretation and standardisation. We therefore suggest MAS to provide clear guidance on how banks and MBs should identify a service as “commonly performed” besides the list of relevant services defined in Annex A.

The list of relevant services defined in Annex B could be more comprehensive since it is an exhaustive list referenced in the definition of “outsourced relevant service”. There are additional relevant services which are not commonly performed by banks and MBs which MAS could consider adding into Annex B, such as the ones feedbacked to be removed from Annex A. In addition, banks and MBs request to update (iii) to include express letter and parcel delivery services, which are like postal services in nature.

We suggest MAS to be more specific about the definition of relevant services considered as outsourced relevant services listed in Annex C. Term such as “public cloud services such as software-as-a-service, platform-as-a-service, infrastructure-as-a-service” is too general and broad. In fact, banks and MBs also use public cloud services for purposes of experimentation, ideation and proof-of-concepts which are activities that are not integral to the provision of financial services. Same feedback applies to “Data centre operations or data centre facilities management services” and “express letter and parcel delivery services”. We therefore suggest

MAS to provide clear guidance on how to determine if a relevant service should be regarded as an outsourced relevant service.

In relation to the relevant services “training and development other than for risk management purposes” listed in Annex D, “training and development” is currently included in the Annex 1 of the Guidelines on Outsourcing under "manpower management" regarded as outsourcing arrangements. We suggest MAS to provide more clarity to banks and MBs on how to interpret the exclusion of “training and development other than for risk management purposes” from outsourced relevant services.

We propose to MAS to have a working session through the ABS Outsourcing Advisory Committee to go refine the Annexes A, B, C and D.

Last but not the least, “Outsourced Relevant Service” is a newly introduced term in the proposed Notices. With the existing definition of “Outsourcing Arrangement” in the Guidelines on Outsourcing and the “Third Party” introduced in the Technology Risk Management Guidelines, banks and MBs could have challenges in complying with the different Notices and Guidelines with different definitions that are currently not aligned.

Question 2. MAS seeks comments on the requirement for a bank or an MB to submit to MAS a register of outsourced relevant services (as described in paragraph 3.1) semi-annually or upon request.

In Annex C, the applicability of Notice and Guidelines on Outsourcing, the flowchart indicated that the proposed Notices do not apply to non-material ongoing outsourced relevant services that do not involve the disclosure of customer information. This differs from the proposed Notices, which require all ongoing outsourced relevant services to be recorded in the register.

As there are different expectations stated in the Notice Annex C, this may pose a challenge for consistent submission of the outsourcing register. We therefore respectfully request MAS to provide guidance on the misaligned requirements for inclusion of non-material ongoing outsourced relevant services in the outsourcing register.

Question 3. MAS seeks comments on the requirements pertaining to the management of material ongoing outsourced relevant services and evaluation of service providers.

In relation to the definition of “material ongoing outsourced relevant service”, is the intention to deem as material, arrangements that do not contain customer information or do not relate to the business of the bank referred to in section 30(1) of the Banking Act, subject to the nature of risks involved or ability of the bank to comply with laws and regulations.

To add to above, is it MAS’ intention to deem all material outsourced services involving sharing of data, regardless of the nature of that data?

Intragroup services have been described as where the service provider has the same ultimate holding company as the bank, as defined in section 5A of the Companies Act (Cap. 50.). The definition in the Companies Act makes reference to a subsidiary and holding company relationship and does not to include a branch or a head office that belongs to the same legal entity. Could MAS please clarify that reduced due diligence could apply where the service provider is a head office or a branch of the bank in Singapore, given similar premise for financial resources and reputation?

We respectfully request MAS to consider the proposed change: “The evaluation framework should include an assessment of matters prescribed in the proposed Notice including service provider’s risk management framework, track record, financial strength and resources” to “The evaluation framework should include an assessment of matters prescribed in the proposed Notice including service provider’s risk management framework for evaluation of the service provider’s ability to provide the outsourced relevant service”.

We respectfully request that the risk management framework of FIs located in Singapore providing outsourced relevant services to subsidiaries and branches be exempt from the assessment as the risk management framework would be established to adhere to MAS’ regulations and Singapore legislation.

Question 4. MAS seeks comments on the requirement for banks and MBs to enter into outsourcing agreements for their material ongoing outsourced relevant services and to ensure the inclusion of certain terms in these agreements.

Paragraph 4.6 of the consultation paper states that banks and MBs are “required to enter into outsourcing agreements for their material ongoing outsourced relevant services and to ensure the inclusion of certain terms in these agreements”.

As there are global banks with contacts negotiated at a group-wide level for outsourcing arrangements/outsourced relevant services, there may be difficulties in service providers and sub-contractors adhering to MAS’ requirements due to different legal jurisdictions and standards. We therefore respectfully request MAS to consider flexibility in allowing banks to exempt certain outsourcing arrangement requirements as per the Notice. Exemptions for requirements should be under exceptional circumstances such as a Group engaging a service provider or sub-contractor in a legal jurisdiction which prevents certain inclusions.

The response to MAS *“allowing banks to exempt certain outsourcing arrangement requirements...”* may not fully help MAS to comprehend the exact terms that the Banks are facing difficult to provision in a material outsourcing contract. And therefore, based on our experience, we would like to propose to add the following:

Under proposed Notice Section B para 7, we noted that MAS requires the banks or MBs to include the rights for MAS and its auditors to audit and access audit reports of the Service Providers and their sub-contractors. Based on the Bank’s experience, we wish to highlight that it has been difficult and we faced significant resistance to procure such terms when dealing with large international service providers, in particular with cloud service providers, and IT-related service providers. The Bank has also experienced difficulty requiring Service Providers to ensure that contractual terms as those proposed in the Outsourcing Notice to be included in the written agreement between the Service Providers and its sub-contractors. Such negotiation have been protracted and difficult, resulting significant time and resources, and impacting our ability to adopt cloud technology and other IT innovation related services while complying to the proposed Notice.

Alternatively, the Bank takes the view that it should be sufficient if there are terms in the outsourcing agreement with the Service Provider that requires the Service Provider to be contractually liable to the Bank for the performance of its sub-contractors (including confidentiality, security and audit breaches). There is no need to prescribe for specific contractual terms in the outsourcing agreement binding the sub-contractors. And as such, Service Provider of the Bank has the legal obligations to impose controls and requirements on its sub-contractors to ensure they are met by both Service Providers and its sub-contractors.

Question 5. MAS seeks comments on the terms required to be included in the outsourcing agreements.

The proposed inclusion for terms in the proposed draft Notice increases oversight requirements from banks and Merchant Bank with respect to their sub-contractors. As there is no direct contractual relationship between the financial institutions and sub-contractor, we respectfully request that MAS reconsider the expectation on the oversight requirements of sub-contractors.

Paragraph 7.1 of the proposed draft Notice states the requirements which must be included an outsourcing agreement prior to obtaining or receiving a material ongoing outsourced relevant service. As financial institutions are heavily reliant on their service providers to comply with requirements, we suggest MAS to consider the inclusion in paragraph 7.1 for the “service provider to acknowledge and make effort to comply with this Notice” to further improve service provider accountability.

Clause 7.1(f) of the proposed draft Notice states that there must be an inclusion for “a requirement that if the bank terminates the contract or stops obtaining or receiving the material ongoing outsourced relevant service provided by the service provider, the service provider ensures that all records of transactions, documents and information given to the service provider are deleted, destroyed or rendered unusable as soon as possible except where:

- (i) the service provider is prohibited from doing so by written law or foreign laws, in the case where the material ongoing outsourced relevant service is obtained or received overseas; or
- (ii) in the case where the service provider is a branch or office, the record, document or information is stored in a system used by the bank which upon the termination of the outsourcing agreement, can only be accessed by the bank”

We respectfully request that MAS consider that customer information as a mandatory requirement for absolute destruction, with other information designated by the bank as an optional consideration. Under the current clause, non-customer information or unimportant documents which are not destroyed by the service provider could result in a contract breach. This may pose a challenge to service providers accepting such requirements in the outsourcing agreement.

Question 6. MAS seeks comments on the requirements pertaining to the protection of customer information.

The proposed definition of “customer information” in the proposed draft Notice and Banking Act does not align with the definition in the Outsourcing Guidelines. A key exemption for what constitutes customer information between the proposed draft Notice and Outsourcing Guidelines may result in inconsistent interpretation and implementation of requirements.

The definition of customer information in the draft proposed Notice and Banking Act is as follows:

1.1 “customer information”, in relation to a bank, means –

- (a) any information relating to, or any particulars of, an account of a customer of the bank, whether the account is in respect of a loan, investment or any other type of transaction, but does not include any information that is not referable to any named customer or group of named customers;

With the definition for customer information in the Outsourcing Guidelines:

1.2 “customer information” means –

- (a) in relation to an approved exchange, recognised market operator, approved clearing house and recognised clearing house, “user information” as defined in section 2 of the SFA;
- (b) in relation to a licensed trade repository and licensed foreign trade repository, “user information” and “transaction information” as defined in section 2 of the SFA; or
- (c) in the case of any other institution, information that relates to its customers and these include customers’ accounts, particulars, transaction details and dealings with the financial institutions, but does not include any information that is public, anonymised, or encrypted in a secure manner such that the identities of the customers cannot be readily inferred;

The exemption for customer information in the Outsourcing Guidelines is specific to “public, anonymised, or encrypted” information to ensure the “identities of the customers cannot be readily inferred”. In contrast, the proposed draft Notice and broadly exempts any customer information which is not referable to “any customer or named group of customer” which may pose challenges in interpretation and implementation of requirements.

While MAS seeks to expand the definition of “customers” to include FIs that were excluded under the Banking Act and yet, requires the banks to also comply with 3rd schedule, this misalignment will pose extreme challenges for the banks.

We therefore respectfully request that MAS provide guidance on the different definitions for customer information in the proposed draft Notice and Outsourcing Guidelines, to ensure that the financial institutions can implement requirements with respect to customer information accordingly. In addition, we respectfully request that MAS consider the impact and conflicting compliance between the Banking Act and the precedence of the guidelines due to their conflicting definitions.

Question 7. MAS seeks comments on the requirements pertaining to the use of sub-contractors for material ongoing outsourced relevant services.

MAS has defined intra-group services in the consultation paper as “where the service provider has the same ultimate holding company as defined in section 5A of the Companies Act (Cap. 50.) as the bank or MB or where the service provider is the ultimate holding company of the bank or MB, as defined in section 5A of the Companies Act.”. As per paragraph 4.3 under Evaluation of Service Providers in the consultation paper, reduced due diligence requirements are applied to intra-group service providers.

Therefore, we respectfully request MAS to provide guidance on intra-group service providers falling under requirements with respect to sub-contracting arrangements in the consultation paper and proposed Notice. In the event that intra-group service providers are determined to fall under sub-contractor requirements, we would respectfully request that MAS consider reduced requirements pertaining to intra-group arrangements.

Paragraph 6.3 of the Notice states that service providers must notify the Bank within 30 days of engagement of the sub-contractor, which supersedes the Guidelines requirement for prior approval to be provided before a service can be sub-contracted.

In addition, several banks have proposed MAS to consider allowing disclosure to subcontractors under the outsourcing exception in paragraph 3 of Part II of the Third Schedule of the Banking Act (as well as external auditors or other third parties appointed by service providers or their sub-contractors to conduct audits on the service provider or sub-contractor), even where such sub-contractors, external auditors or other third parties have not been directly engaged by the bank. Conditions can potentially be included as described under 4.13(a) and 4.13(b).

Therefore, we respectfully request that MAS reconsider paragraph 6.3 of the Notice, to require approval of sub-contractors prior to engagement. This ensures that sub-contractors are adequately assessed before being onboarded. We seek MAS consideration in the event where the bank has allowed or approved the use of the sub-contractor, the notification period of 30 days to be removed.

In addition, post-engagement notification is reliant on the service provider and does not put the bank in a position to enforce this if the service provider forgets to inform the Bank or the service providers are based in overseas jurisdictions.

The response to MAS “....In the event that intra-group service providers are determined to fall under sub-contractor requirements, we would respectfully request that MAS consider reduced requirements pertaining to intra-group arrangements” may not play well with MAS because we read that the reduced assessment(or evaluation) of the Service Provider is explained in proposed notice 5.1 (a) and it will implicitly apply to all intra-group service providers regardless if is a main or sub-contractor. However, it would be good to know (from other Banks) if there are any specific due diligence we request of MAS to reduce, for e.g. Audit requirement on Propose Notice Section B para 9?

We respectfully request MAS to allow the Singapore Branch of a foreign bank HO to rely on the banks’ risk management framework instead of performing additional due diligence on the

specific stream of work. This is because in all circumstances, all banks have internal risk management policy and the policy is applied consistently across all locations and entities. It is especially impractical for branch to assess the effectiveness of control at the HO.

In addition, we would like to propose to add the following comments, in which we believe will be also be a challenge for all Banks, especially the Foreign Banks:

We note that Proposed Notice Para 6.1 stipulates the conditions for allowing sub-contracting and specifically under the condition where customer consent must be obtained if there is disclosure of customer information. In addition to satisfying the customer consent condition, sub-contractors for material ongoing outsourced relevant services are required to fulfil all the requirement under Para 6.2 and 6.3. The combination of all the requirements set out in the Proposed Notice are far more detailed and onerous than the existing MAS Notice 634 or the statutory banking secrecy requirement set out in the BA and BA regulations.

To elaborate further on the practical challenges faced by Global Banks in Singapore, our outsourcing arrangements with service providers are often entered at Group level and negotiation on the outsourcing agreement with service providers are often protracted before landing on an agreement that satisfies our statutory regulations. Further to that, to enforce the same requirements on the agreements between the Service Providers and their sub-contractors would be extremely difficult and challenging for Singapore branch or entity to procure the Service Provider to re-open negotiations with its sub-contractors. It would be even more challenging for the Bank where sub-contractors of sub-contractors are involved as the Bank has no pre-existing relationship and less control over the contractual arrangements with these sub-sub-contractors.

Also, the requirements for customer consent for disclosure to Service Providers sets too high a barrier for outsourcing and sub-contracting. This is so because consent is obtained through contractual clauses, and long-standing customers have signed older, less-specific consents. While a refresh of such consent is theoretically possible, in practice the administrative burden comes with non-response and declines is inevitable. This may have an impact to our Business and also our customers, in the event there are missed efficiency opportunities that may lead to high cost for our customers.

For the reasons set forth above and in response to Question 4, we respectfully request MAS to make amendment to the Outsourcing exception under Item 3 of Part II of the third schedule of BA to clarify that the Bank may also rely on the Outsourcing Exception to disclose customer information to their sub-contractors, or sub-sub-contractors, even where such parties are not directly contracted by the Bank.

Question 8. MAS seeks comments on the requirements pertaining to the audit requirements for material ongoing outsourced relevant services.

Whilst there is no formal requirement to include within the agreement a right for banks to conduct an audit, there is a provision that requires the bank to undertake an audit.

We would like to discuss if there is an opportunity for a broader discussion with MAS on relaxation of Audit requirements for intra-group services (a service provider in the same banking group) to align to the Due Diligence requirement, refer to S4.3 of the Consultation Paper.

MAS made clear in the November 2019 Response to Feedback that the 3-year audit cycle does apply to intra-group, but we would like to propose that the coverage of an audit could be risk-assessed within an intra-group scenario.

There is also no reference in the Notice to qualification of an auditor and no reference to the expert assessor that is found in the Guidelines, we would like to seek clarity whether the latter is still relevant.

We would like to seek clarification on independent audit versus third-party certification. This section is under the header “Audit”, where an “audit” provides an opinion whilst a “certification” is an adherence to industry standards. We prefer for outsource service providers operating in our jurisdiction to comply with a higher standard, consistent approach in assessment through pool audits and avoidance of reviewing various certifications.

Question 9. MAS seeks comments on the requirements pertaining to the termination of material ongoing outsourced relevant services.

Paragraph 10.2 in the proposed draft Notice states the termination requirement where “upon the termination of the contract relating to a material ongoing outsourced relevant service, the bank must ensure that all records of transactions, documents and information given to the service provider or sub-contractor (where applicable) are removed from the possession of the service provider or sub-contractor, as the case may be, or deleted, destroyed or rendered unusable as soon as possible except where...”.

We respectfully request that MAS provide guidance on the expectation of evidence required to satisfy the deletion of information retained or processed by the service provider or sub-contractor. In line with a practical and risk-based expectation, we suggest MAS to consider if a written statement of information destruction by the service provider or sub-contractor for a material ongoing outsourced relevant service. The written confirmation should include future liability to any incident relating to the information that was meant to be deleted as acceptable evidence for the financial institutions to receive after termination of the service.

Question 10. MAS seeks comments on the requirements in paragraph 4.22 pertaining to an ORFI's provision of material ongoing outsourced relevant services.

As this change has significant impact to how banks with intra-group arrangements currently operate, we recommend MAS to consider excluding intra-group arrangements for this requirement.

Reading the definition of ORS and "service providers" in the proposed Notice, potentially a majority of the shared services especially between smaller overseas branches of a foreign banks and their HO would fall within the definition. Some of these are clearly not outsourcing rather some of these services utilise group's systems and methodology such as credit stress testing, markets risk and liquidity risk management etc. these are current considered under exception under risk management rather than outsourcing.

In addition, MAS sets out the expectations on banks and merchant banks to obtain a written undertaking from the overseas supervisor regarding the material ongoing outsourced relevant service received from an overseas regulated financial institution. We recommend for MAS to consider the practicality of the proposed practice for banks and merchant banks and consider proposing any applicable alternatives. MAS may consider exploring bilateral undertakings with key regulators on behalf of the banks to obtain this.

In the case that MAS is unable to accommodate this recommendation, we ask that MAS provides further guidance methods to obtain a written undertaking of the ORFI in the case that the supervisory authority is unresponsive to the request and explore additional alternatives such as outsourcing agreements to the written undertaking from overseas supervisors.

Using the following example:

The Thailand branch/subsidiary a Bank incorporated in Singapore receives outsourced relevant services from a Thai-based bank, do we need to obtain Bank of Thailand's (Central Bank) written undertaking? Similarly, if the Hong Kong branch/subsidiary is receiving services from China branch/subsidiary, do we need to provide MAS with a written undertaking from the Chinese supervisory authority.

Banks would like to see MAS's confirmation whether on the requirement to obtain the overseas supervisor's written undertaking is applicable.

Under MAS Notice 634, similar requirements only applied where customer information is disclosed relying on the exception for outsourcing at paragraph 3 of Part II of the Third Schedule of the Banking Act. In the proposed Notice, these requirements appear to apply regardless of whether (i) customer information is being disclosed, or (ii) the disclosure is pursuant to other exceptions in the Third Schedule of the Banking Act (e.g. by customer's express written consent). We respectfully request MAS to consider exempting the above 2 scenarios from the requirements under this paragraph.

Question 11. MAS seeks comments on the requirement in paragraph 4.23 on a bank or an MB to provide MAS with a confirmation from the overseas supervisor of the ORFI and the scope of such a confirmation.

On para 11.2 (a)(ii) of the Proposed Notice, with the once-off undertaking, would banks no longer be required to "give MAS written notification whenever it accesses the Information" when the Proposed Notice takes effect?

Regarding para 11.2(a)(i) of the Proposed Notice - for supervisory authority, which is not the parent supervisory authority of the service provider or sub-contractor ("non-parent supervising authority"), if a bank provides MAS with the undertaking, the non-parent supervisory authority will no longer have access to any customer information of the bank that is in the possession of the service provider or sub-contractor. What would be MAS expectations if the non-parent supervisory authority would need to access the information for the purpose of supervisory or investigation? In this scenario, can the bank rely on the Item 1 of Part I of the Third Schedule exception in the BA to disclose customer information to the non-parent supervisory authority?

Regarding para 11.1(b) of the Proposed Notice, even if a bank uses the alternative provided in para 11.2(b) of the Proposed Notice, there might still be a possibility that the supervisory authority would unlikely to provide the written confirmation to MAS, via a bank in Singapore, in relation to para 11.1(b) of the Proposed Notice with respect to the ability of MAS to access customer and other information, as well as the ability of the bank to audit the ORFI. In case the supervisory authority does not provide the written undertaking to the bank, would there be other alternatives for the bank to adopt, say provide any other documents or undertaking directly made by the ORFI, instead of the supervisory authority?

For supervisory authority, which is the parent supervisory authority of the service provider or sub-contractor, will banks be required to obtain the undertaking from parent supervisory authority before they can rely on the Item 1 of Part I of the Third Schedule exception in the BA, instead of rely on the Item 3 of Part II of the Third Schedule exception, to disclose customer information to parent supervisory authority?

(e) For supervisory authority of the service provider or sub-contractor, will banks be required to obtain the undertaking from parent supervisory authority before they can rely on the Item 1 of Part I of the Third Schedule exception in the BA, instead of rely on the Item 3 of Part II of the Third Schedule exception, to achieve the intent of consultation on Outsourced Relevant Services - Para 4.22(b) & (c) on access of customer information and ability to audit the ORFI?

Question 12. MAS seeks comments on the requirements applicable to outsourced relevant services that involve the disclosure of customer information, and for the meaning of “customer” which will apply to these requirements to include companies which carry on banking business, merchant banking business or investment banking business.

We are supportive of the MAS’ intention to strengthen the protection of customer data, including the strengthening such controls when banks engage external parties.

However, with regards to change in the definition of “customer”, we recommend MAS’ consider retaining the existing definition as per Section 40a of the Banking Act, Notice 631 and the existing Outsourcing guidelines which “does not include any company which carries on banking business or such other financial institutions as may be designated by the Authority...”

This change in the definition of customer is a fundamental change to banks’ approach to the compliance of the Banking Act and would impose significant challenges and impact on banks and merchant banks’ compliance to the proposed Notices.

Definition of “customer information”

For clarity, we propose that the definition of “customer information” in the Notice explicitly excludes information that is public encrypted in a secure manner or anonymised in a secure manner such that the identities of the customers cannot be readily inferred. This is consistent with the current approach under the Guidelines on Outsourcing and MAS’ response (paragraph 3.9) on 5 November 2019 to the feedback for the consultation paper on proposed revisions to the regime governing banks’ and merchant banks’ outsourcing arrangements issued on 7 February 2019.

We would like to submit that the requirement under paragraph 12.2(b) of the proposed Notice is not necessary. The service provider’s ability to ensure that employees who are authorised to access the customer information are subject to confidentiality obligations is inherently assured by virtue of the fact that they are employees and can be made subject to contractual restrictions. It is hard to conceive of a situation where this would not be the case.

Question 13. MAS seeks comments on the requirement for a bank or an MB incorporated in Singapore to implement a group policy on outsourced relevant services.

We would like to clarify paragraph 6.1 of the Consultation paper is applicable to a locally incorporated banks in Singapore or a requirement that will apply to overseas incorporated bank (i.e. Singapore Branch) that its Head Office to include MAS Outsourcing requirements in its Group outsourcing policy? If it is the latter, we would like to highlight the challenges in requesting Group to implement / include an overseas regulatory requirements in its Group policy.

We would also like to clarify that if we already have a Group policy and if there is inconsistency between regional legislative requirements and the Group, the regional requirements will take precedence unless the Policy places a higher requirement. Would MAS then consider the bank has met the requirements of Q13.

In addition, for a bank's overseas branches, we propose for MAS to consider providing flexibility in applying the requirements under Section 7 on Outsourcing Agreement and Access to Information relating to Material Ongoing Outsourced Relevant Services. Some overseas branches may experience difficulties in incorporating all the terms under Section 7 as due to their relatively smaller size, they may not be in a position to negotiate and impose such terms, particularly when the service providers on the other end are large organisations and the services engaged are relatively small in scope.

Follow on from our meeting with MAS Team, I would also like to request MAS to clarify the highlighted sentence in para 13 of the proposed Notice. As it is, it reads like in addition to complying with bank's group outsourcing policy, the para 13 requires also the foreign entity or branches to comply with all of the requirements in this Notice, as if it were a bank in Singapore.

13.1 A bank incorporated in Singapore must implement a group policy relating to outsourced relevant services to ensure that each of its branches comply with all of the requirements in this Notice, as if it were a bank in Singapore.

Question 14. MAS seeks comments on the effective dates of the proposed Notices.

The CP states that a bank or MB need to comply in 12 months or when they enter into a new agreement or renews an existing agreement, whichever is later. This means that if the bank renews in 3 years or even 5 years, they only need to comply in 3 or 5 years.

We respectfully request MAS to consider the compliance in 24 months or when they enter into a new agreement or renews an existing agreement, whichever is later".

Any other comments:

With reference to Annex C - Applicability of Notice and Guidelines on Outsourcing, we understand that if the outsourced relevant service is not ongoing and does not involve disclosure of customer information, the outsourced relevant service is not subject to the upcoming notice and guidelines on outsourcing. We would like to confirm our understanding. For the avoidance of doubt, we note that the bank is still required to ensure that the “outsourced relevant service” is subject to adequate risk management and sound internal controls, hence the “Notice does not apply” is misinterpreted.